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## BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

BRENDA BURNS

Commissioner

BOB BURNS

Commissioner

SUSAN BITTER SMITH

Commissioner

Arizona Corporation Commission

DOCKETED

JUL 30 2013

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IN THE MATTER OF THE JOINT  
APPLICATION OF GLOBAL TEL\*LINK  
CORPORATION, VALUE-ADDED  
COMMUNICATIONS, INC., DSI-ITI, LLC  
AND PUBLIC COMMUNICATIONS  
SERVICES, INC. FOR APPROVAL OF  
ISSUANCE OF DEBT AND RELATED  
FINANCING TRANSACTIONS.

DOCKET NO. T-02871A-13-0143

T-03798A-13-0143

T-20734A-13-0143

T-03682A-13-0143

DECISION NO. 74009ORDER

Open Meeting  
July 17 and 18, 2013  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On May 20, 2013, Global Tel\*Link Corporation ("GTL"), Value-Added Communications, Inc. ("VAC"), DSI-ITI, LLC ("DSI"), and Public Communications Services, Inc. ("PCS") (collectively the "Applicants") filed an application to request that the Arizona Corporation Commission ("Commission") authorize the issuance of debt and related financing transactions.

2. The Applicants seek approval to act as a borrower on certain secured credit facilities. In addition, the Applicants request approval to grant a security interest in substantially all of their assets in support of the proposed financing. The Applicants request this authority pursuant to Section 40-285 of the Arizona Revised Statutes and R14-2-804(3)(1) of the Arizona Administrative Code to the extent it may be necessary.

3. The following background and transaction information was provided by the Applicants.

### **Background**

#### **Global Tel\*Link Corporation**

4. GTL is a privately-held Delaware corporation with principal offices located at 2609 Cameron Street, Mobile, Alabama 36607. GTL is a wholly-owned subsidiary of GTEL Holdings, Inc. ("Holdings"), a privately-held Delaware corporation with principal offices located at 2609 Cameron Street, Mobile, Alabama 36607. Holdings is a holding company whose only business activities are conducted through the Applicants. Holdings is a wholly-owned direct subsidiary of GTEL Acquisition Corp.

5. GTEL Acquisition Corp. is a privately-held Delaware corporation with principal offices located at 590 Madison Avenue, 41st Floor, New York, New York 10022. GTEL Acquisition Corp. is a holding company whose only business activities are conducted through the Applicants. GTEL Acquisition Corp. is wholly-owned by ASP GTEL Holdco, LLC.

6. ASP GTEL Holdco, LLC ("ASP GTL") is a privately-held Delaware limited liability company with principal offices located at 299 Park Avenue, 34th Floor, New York, New York 10171. ASP GTEL Investco, LLC ("ASP Investco"), a Delaware limited liability company, owns more than 90% of ASP GTL, with the remainder owned by the current management of GTL.

7. GTL was granted a Certificate of Convenience and Necessity ("CC&N") to provide customer owned pay telephone ("COPT") service in Arizona on December 20, 1995 in Decision No. 59429.

#### **Value-Added Communications, Inc.**

8. Value-Added is a privately-held Delaware corporation with principal offices located at 3801 E. Plano Parkway, Suite 100, Plano, Texas 75074. Value-Added is a wholly-owned subsidiary of VAC Holding, Inc., a Texas corporation and a direct subsidiary of GTL, the sole managing member of Value-Added.

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9. Value-Added was granted a CC&N to provide alternate operator services ("AOS") in Arizona on October 24, 2003 in Decision No. 66456.

**DSI-ITI, LLC**

10. DSI is a privately-held Delaware limited liability company with principal offices located at 107 St. Francis Street, 33rd Floor, Mobile, Alabama 36602. DSI is a wholly-owned direct subsidiary of GTL, the sole managing member of DSI.

11. DSI was granted a CC&N to provide COPT service in Arizona on December 10, 2010 in Decision No. 72017.

**Public Communications Services, Inc.**

12. PCS is a privately-held California corporation with principal offices located at 107 St. Francis Street, 33rd Floor, Mobile, Alabama 36602. PCS is a wholly-owned direct subsidiary of GTL, the sole managing member of PCS.

13. PCS was granted a CC&N to provide COPT service in Arizona on March 15, 1999 in Decision No. 61576.

**The Proposed Transaction**

14. The Applicants seek approval to participate in a series of debt financing transactions. The proposed financing and pledge for which approval is sought are described as purely financial in nature and will replace the Applicants' existing credit facilities with new facilities on more favorable terms. The proposed financing is effectively a refinancing of the financing approved in Decision No. 72712, dated December 9, 2011, in conjunction with the transfer of control of GTL, VAC, DSI-ITI and PCS to ASP GTEL Holdco, LLC.

15. The Applicants propose entering into (a) a first lien credit facility, consisting of a term facility of up to \$590 million (7-year maturity from the Closing Date); a revolving credit facility of \$50 million (5-year maturity from the Closing Date); and an incremental term and/or revolver facility of at least \$100 million; and (b) a second lien credit facility of up to \$255 million (7.5-year maturity from the Closing Date), and an incremental term and/or revolver facility of at least \$50 million, in each case, as such amounts may be modified in accordance with market conditions.

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1 Applicants will retire approximately \$554 million of debt (secured by substantially all of the assets  
2 and property of GTEL Holdings, Inc., and its subsidiaries, including the Applicants) at the time of  
3 closing. Additional credit, not to exceed \$150 million, may be obtained post-closing by the  
4 Applicants.

5 16. The Applicants therefore request authorization to incur aggregate debt of up to \$1,195  
6 million which will be (a) secured by substantially all of the assets and property of Holdings and its  
7 domestic subsidiaries, including the Applicants and any additional domestic subsidiaries acquired  
8 or formed from time to time including, but not limited to, a perfected first-priority or second-  
9 priority, as applicable, pledge of all the equity interests of such subsidiaries, including the  
10 Applicants and any additional domestic subsidiaries acquired or formed from time to time; and (b)  
11 guaranteed by Holdings and its domestic subsidiaries (other than GTL), including the Applicants  
12 and any additional domestic subsidiaries acquired or formed from time to time.

13 17. In their application, the Applicants state that they expect the proposed financing will  
14 close prior to receipt of Commission approval, but the Arizona assets, guarantees and property will  
15 be excluded from the proposed financing until such time as approval is obtained. The new  
16 proposed indebtedness will replace Applicants' outstanding credit facilities and thereby allow  
17 Applicants to obtain long-term credit on favorable terms.

18 18. The Applicants subsequently contacted Staff via email on June 13, 2013, to request the  
19 Commission consider this application at the July 17 and July 18, 2013 Open Meeting to facilitate  
20 obligations to lenders under the financing agreement. The Applicants clarified that the proposed  
21 transaction is a large company-wide refinancing and all other approvals will be in hand by July.

#### 22 **Staff Analysis and Conclusions**

23 19. A.R.S. § 40-285 requires public service corporations to obtain Commission  
24 authorization to assign or dispose of a utility's assets as proposed by the merger in this transaction.  
25 The statute serves to protect captive customers from a utility's act to dispose of any of its assets  
26 that are necessary for the provision of service; thus, it serves to preempt any service impairment  
27 due to disposal of assets essential for providing service.

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20. COPTs are not subject to the Commission's Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R14-2-801 et seq. ("Affiliated Interests Rules" or "the Rules"); however, Alternative Operator Services (AOS) providers are subject to the Affiliated Interests Rules.

21. Staff confirmed that VAC is a Class A public utility based on annual operating revenues and therefore subject to the Affiliate Interest Rules. A.A.C. R14-2-804 ("Rule 804") of the Commission's Affiliated Interest Rules requires approval when a utility subject to the Rules guarantees the debt of an affiliate. The Commission will approve a guarantee under Rule 804 unless the guarantees will: (1) "impair the financial status of the public utility"; (2) "otherwise prevent it from attracting capital at fair and reasonable terms"; or (3) "impair the ability of the public utility to provide safe, reasonable and adequate service."

22. To support that this applicant meets the criteria of Rule 804, the Applicants state: (1) "The Financings will improve, not impair, the financial status of the public utilities in so far as they will allow the Companies to reduce future cash interest payments, reduce interest expenses generally and permit longer debt maturities"; (2) "The Financings will not make capital more difficult to attract. To the contrary, the Financings will allow the Companies to maintain a strong liquidity position and will enhance future financing flexibility"; and (3) "The Financings will be completely transparent to Applicants' customers and, to the extent the Proposed Financings strengthen the Applicants' financial position, they will be better able to serve Arizona consumers."<sup>1</sup>

23. The Applicants state that the proposed transaction will not affect the rates, terms and conditions by which they offer service in Arizona.<sup>2</sup>

24. Staff concludes that the proposed transaction will not impair the availability of service to customers since the Applicants provide competitive services that are available from alternative service providers.

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<sup>1</sup> In the Matter of the Joint Application of Global Tel\*Link Corporation, Value-Added Communications, Inc., DSI-LLC, and Public Communications Services, Inc. for Approval of Issuance of Debt and Related Financing Transactions, pages 7 – 8.

<sup>2</sup> In the Matter of the Joint Application of Global Tel\*Link Corporation, Value-Added Communications, Inc., DSI-LLC, and Public Communications Services, Inc. for Approval of Issuance of Debt and Related Financing Transactions, pages 2 – 4.

1       25. The Applicants also affirmed to Staff that the proposed transaction does not include  
2 any plans to reduce the Arizona employee-base or company assets of the joint Applicants'  
3 operations. Additionally, Staff is not aware of any parties that have raised concerns or filed  
4 objections to the proposed transaction.

5       26. To ensure that prepaid customer funds and/or deposits would not be impacted by the  
6 financing ultimately approved in Decision No. 72712, dated December 9, 2011, in conjunction  
7 with the transfer of control of GTL, VAC, DSI-IT1 and PCS to ASP GTEL Holdco, LLC, Staff  
8 recommended the following conditions:

9           A. That Value-Added Communications, Inc., and Public Communications Services,  
10 Inc. shall, within 30 days of the effective date of this Decision, file with Docket  
11 Control, as a compliance item in this docket, either a statement that all Arizona  
12 customer deposits and prepayments are excluded from encumbrance, or copies of  
13 a performance bond or irrevocable sight draft letter of credit ("ISDLC") in the  
14 amount of \$125,000 for Value-Added Communications, Inc. and \$75,000 for  
15 Public Communications Services, Inc. to cover customer deposits and/or  
16 prepayments, as specified below, and provide the original performance bond or  
17 irrevocable sight draft letter of credit to the Commission's Business Office for  
18 safekeeping.

19           B. That each of the Service Providers (Global Tel\*Link Corporation, Value-Added  
20 Communications, Inc., DSI-ITI, LLC and Public Communications Services, Inc.)  
21 shall:

22           1. Increase their bond or ISDLC if at any time it would be insufficient to cover  
23 advances, deposits, and/or prepayments collected for its customers. The bond or  
24 ISDLC should be increased in increments of 50 percent of the existing amount.  
25 This increase should occur when the total amount of advances, deposits, and/or  
26 prepayments is within 10 percent of the bond or ISDLC amount.

27           2. Docket proof of the original performance bond or ISDLC with the  
28 Commission's Business Office and 13 copies of the performance bond or

1 ISDLC with Docket Control, as a compliance item in this docket, within 90  
2 days of the effective date of a Decision in this matter. The performance bond or  
3 ISDLC must remain in effect until further order of the Commission. The  
4 Commission may draw on the performance bond or ISDLC on behalf of and for  
5 the sole benefit of the Service Provider's customers, if the Commission finds, in  
6 its discretion, that the Service Provider is in default of its obligations arising  
7 from its Certificate. The Commission may use the performance bond or ISDLC  
8 funds, as appropriate, to protect the Service Provider's customers and the public  
9 interest and take any and all actions the Commission deems necessary, in its  
10 discretion, including, but not limited to, returning prepayments or deposits  
11 collected from the Service Provider's customers.

12 27. The Applicants published a legal notice in the Arizona Republic on June 12, 2013. An  
13 affidavit of publication was provided via email to Staff on June 18, 2013.

14 **Staff Recommendations**

15 28. Based on its analysis of the proposed transaction, Staff concludes that the transaction  
16 would not impair the financial status of the Applicants, would not impair their ability to attract  
17 capital, nor would it impair the ability of the Applicants to provide safe, reasonable, and adequate  
18 service. Customers may still have exposure to losses to the extent they have prepaid for service or  
19 made deposits. Therefore, Staff recommends approval of the proposed financing represented by  
20 the Applicants subject to the condition that the Applicants continue to maintain the bonds  
21 previously ordered by the Commission in Decision No. 72712, dated December 9, 2011.

22 29. Staff further recommends authorizing the Applicants to engage in any transactions and  
23 to execute any documents necessary to effectuate the authorizations granted. Staff further  
24 recommends that one copy of executed security documents be filed with the Utilities Division  
25 Director and a letter confirming such filing shall be docketed as a compliance item in this docket  
26 within 90 days following execution of the proposed transaction.

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IT IS FURTHER ORDERED that Global Tel\*Link Corporation, Value-Added Communications, Inc., DSI-ITI, LLC and Public Communications Services, Inc. be authorized to engage in any transactions and to execute any documents necessary to effectuate the authorizations granted.

IT IS FURTHER ORDERED that one copy of executed security documents shall be filed with the Utilities Division Director and a letter confirming such filing shall be docketed as a compliance item in this docket within 90 days following execution of the proposed transaction.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

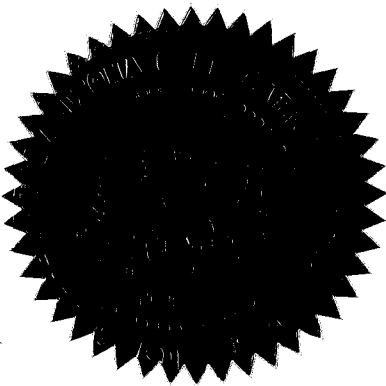
CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 30th day of July, 2013.

JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:AFF:sms\BES

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